



Fiscal Year 2024-2025
Budget Update #1

Los Angeles World Airports
Board of Airport Commissioners
March 21, 2024

FY2025 Financial Planning Outlook

State of the Economy

- Geopolitical conflicts continue
- US economic growth -conservative or flat
- Labor market continues to cool
- Inflation has decelerated
- High probability of interest rate cut in June
- Hard War Liability insurance market

State of the Industry

- Air travel industry remains healthy
- US enplanements recovered back to pre-pandemic levels in late 2023
- Air cargo demand has subsided but remains above pre-pandemic levels
- Low-cost carriers face financial challenges

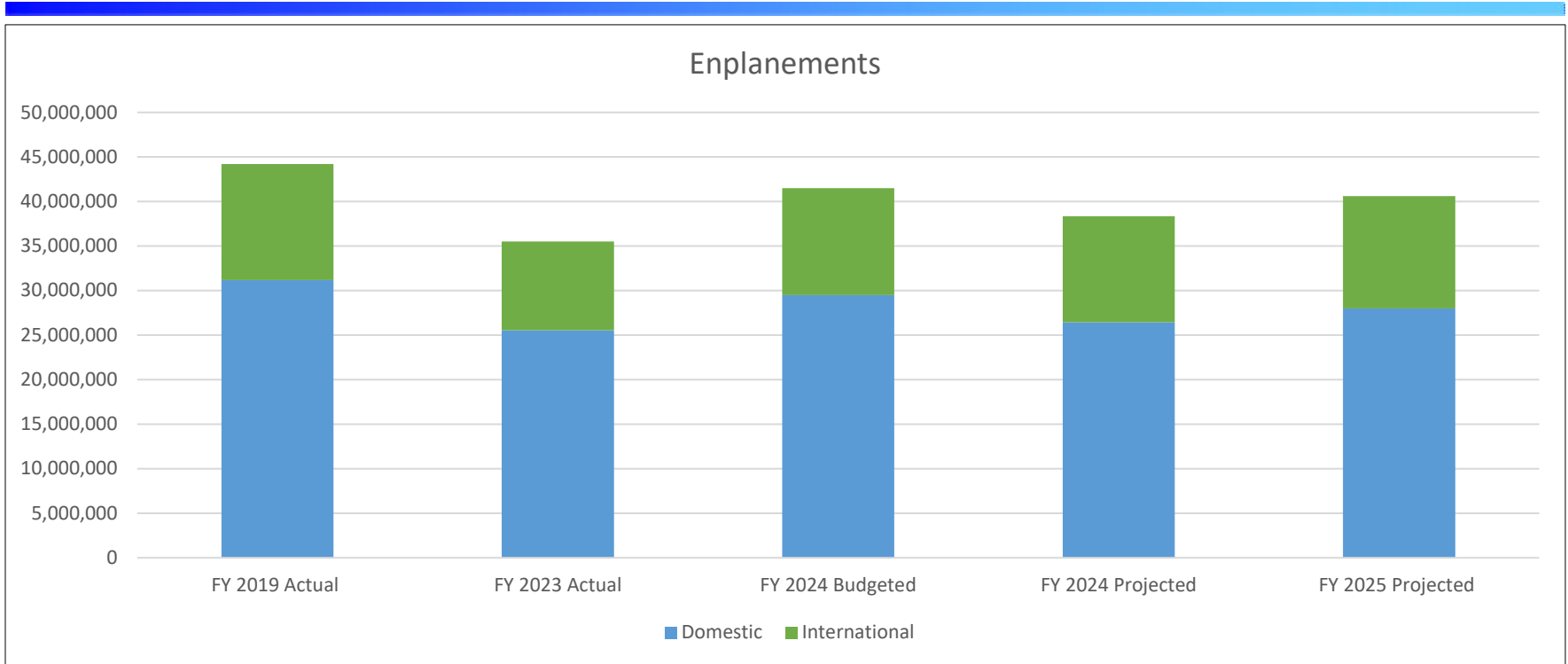
LAWA Financial Position

- LAX traffic recovery continue to lagged the industry
- Financial performance has exceeded FY2019 driven by higher airline revenues
- Strong liquidity position
- Strong credit rating

Key Business Priorities

- Achieve sufficient staffing levels
- Invest in employee training, facilities, and technologies
- Address deferred maintenance
- Continue investing in safety, operational and organizational efficiencies
- Deliver Capital Program

LAX Actual and Projected Enplanements



(in millions)	FY 2019 Actual	FY 2023 Actual	FY 2024 Budgeted	FY 2024 Projected	FY 2025 Projected	FY 2025 vs FY 2024 Projected		FY2025 vs FY2019 Actual
						Difference	%	%
Domestic	31.2	25.5	29.5	26.4	28.0	1.6	6%	-10%
International	13.0	10.0	12.0	11.9	12.6	0.7	6%	-3%
Total	44.2	35.5	41.5	38.3	40.6	2.3	6%	-8%

FY2025 Key Budget Objectives

- **Operating Priorities:**
 - Increase spending on employee experience, including training, facility improvements and technology
 - Fill available vacancies
 - Fund operational and safety mandates and strategic business priorities
- **Balance Costs and Revenues:**
 - Balance cost increases with increases in revenues to achieve the key metrics:
 - All-in debt service coverage of **at least 1.8x**
 - Budgeted Airline Cost per Enplaned Passenger (CPE) **not to exceed \$33**
- **Liquidity:**
 - Maintain liquidity to protect against operational, financial, and economic uncertainties.
 - Days Cash on Hand Minimum Target – **550 days**
- **Capital Program Funding:**
 - Evaluate GARB and TIFIA financing

- **Significant Cost Pressures:**
 - MOU increases
 - Contractual cost increases due to higher labor rates and material costs
 - Significant increase in elevator/escalator maintenance and repair costs due to staffing shortages
 - Increased Common Use services costs (bag transport and T2 operations, TBIT ops support, wayfinding and exit lanes)
 - Additional IT costs for cloud migration and cybersecurity
 - Electric and water utility rates and consumption increases
 - Expected higher war liability coverage insurance premium
- **Prolonged Traffic Recovery**
 - Cost increases are outpacing increases in traffic
- **Terminal concessions and TNC revenues remain below the pre-pandemic level**

Next Steps – BOAC Budget Presentations

- May 2: “Deep dive” into budget details
- May 16: Incorporate the Board feedback and present near-final revenues and expenses
- June 6: Staff presents FY2024-25 Budget for adoption

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